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SERVICES INFRASTRUCTURE FOR DEVELOPMENT AND TRADE EFFICIENCY

Report by the UNCTAD secretariat

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INTRODUCTION

1. The Commission on Enterprise, Business Facilitation and Development, during its first session which was held from 20 to 24 January 1997, conducted an in-depth discussion and exchange of views on the basis of the documentation prepared and the presentations made by the secretariat on agenda item 4, entitled "Services infrastructure for development and trade efficiency". The Commission recognized the importance of continuing the work called for at UNCTAD IX by "A Partnership for Growth and Development" (TD/370), building upon the Columbus Ministerial Declaration in the areas of services infrastructure for development and trade efficiency. In adopting its agreed conclusions at its first session, the Commission considered that the work of the secretariat in the areas of telecommunications, transport, customs, banking and insurance, business practices/trade facilitation, business information, transit, human resources development and legal issues should be pursued in an integrated fashion, so as to maximize the synergies and economies of scale which may be identified between these areas. The Commission thus provided guidelines and set priorities for the work of the secretariat for its second session.

2. In this context, the Commission requested the secretariat to provide an evaluation of the Trade Point Programme including the extent of the inter-operability of Trade Points, to prepare an information note on the basis of a cost benefit-analysis of practical ways and means to ensure the legal protection of the Trade Point and Global Trade Point network names and logos and to prepare an interim report on which a trade efficiency assessment exercise could be organized. The Commission also stressed the importance of pursuing and deepening cooperation between UNCTAD and other organs of the United Nations system and specialized agencies and requested the Secretariat to provide a report on the extent of such cooperation.

3. It also decided to consider at its second session the contribution that infrastructure services can make to the informal sector and the development of micro-enterprises. Since the Commission will be considering the above issue for the first time, the first section of the present document is devoted to a progress report on the activities initiated by the UNCTAD secretariat to contribute to the development of infrastructure services specifically designed to assist the informal sector and to promote the development of micro-enterprises.

4. The second section of the document covers the other four sub-items on the Commission's agenda, namely: (1) trade efficiency strategy; (2) legal dimensions of the Trade Point programme; (3) inter-institutional cooperation in the field of trade efficiency; and (4) trade efficiency assessment. The Trade Point strategy and the most recent evaluation of Trade Points' activities are covered in greater detail in a separate document, the Trade Point Review. The issue of a trade efficiency assessment methodology is addressed in document TD/B/COM.3/10/Add.1.

I. NEW SERVICES FOR DEVELOPMENT

"...The aim will be to bring more of the world's poor into the expanding zone of opportunity, by increasing the conditions for domestic and international investment, job creation and people-driven and people-centred development "

Kofi Annan, Secretary-General of the United Nations

1. Background

5. The UNDP Human development Report 1996 estimates that a third of the world population - 1.3 billion people - lives in poverty. The poor tend to earn their living in what is known as the "informal sector" and this represents both a challenge and an opportunity for development. It is a challenge to ensure that people who work in the informal sector are not condemned to social exclusion in the context of a globalized economy dominated by market forces where the order of the day is competition, profit, efficiency, knowledge and technology. It is an opportunity because it is a dormant productive force that can constitute an important engine for growth. The inherent energy of this force should not be neglected, as it is fueled by the struggle to survive.

6. Microenterprise, with its flexibility and rapid response to growth opportunities, is rapidly emerging as an important tool in the efforts to alleviate poverty. The development and growth of microenterprises require the availability of and access to adequate local support services which in most developing countries are currently limited and do not address the specific needs of this sector. These services range from business advice, marketing and training to financial services such as credit, savings and insurance. The weaknesses in the necessary services infrastructure are why many potentially income-generating, job-creating microenterprises never takeoff.

> *"Over **500 million of the world's economically active poor** run profitable micro and small businesses. **Fewer than 2 percent** of these low income entrepreneurs have **access to financial services** other than money lenders".*
>
> The Consultative Group to Assist the Poorest

7. The secretariat's strategy has been to identify areas where UNCTAD has a comparative advantage and can contribute in a **practical** manner to fulfilling the needs of the informal sector. One such area has been to promote the organization of an international microfinance market, which is covered in this paper. Other practical initiatives conducive to the development of services infrastructure for the informal sector, such as microbusiness points and microinsurance schemes, are currently being explored and, once field-tested, will be reported to the Commission.

8. Although there are many initiatives by both NGOs and international organizations to deliver microcredit services and while the demand for such services is growing (potential demand estimated at 120 billion USD), the funds feeding into these services (more than 50 percent from donors) are limited and even shrinking (according to OECD DAC report, from 1992 to 1995 net ODA fell by 14 percent in real terms). There is therefore a need for the microcredit providers to access private funds and tap into international financial markets.

9. UNCTAD, through the establishment of a private fund in Luxembourg, announced during UNCTAD IX by the Government of Luxembourg and designed to invest in microfinance, has proven its ability to act as a catalyst in promoting private sector participation in making microcredit accessible to the informal sector on a sustainable basis.

10. In an attempt to combat poverty, Governments in developing countries have, for decades, been trying to direct and expand the outreach of credit through development banks and other government-sponsored programmes. However, studies show that despite massive subsidies, development banks have been beset by insolvency and liquidity problems and have had little success in reaching the intended beneficiaries: individuals without collateral or with below-average income.

11. This failure has been partly due to the application of traditional

lending mechanisms to a market where individual credit needs are small, screening and monitoring are costly and enforcement is difficult. The borrowers have few assets that can be offered as collateral, transaction costs are high and often repayment obligations cannot be enforced due to political constraints or lack of incentive on the part of bank officials. In addition, the lack of complementary infrastructure such as insurance services has not helped the default problem.

12. Many innovative ideas and approaches have been initiated (often out of frustration at failed public sector initiatives) at the grass-root level by the private sector and NGOs to address the needs of the informal sector. One such initiative concerns microcredit. Microcredit, which is essentially about providing small loans under market conditions to micro-enterprises through commercially-run microfinance institutions (MFIs), is now widely recognized as an essential means of empowering people to finance entrepreneurial activities, generate their own income and help themselves out of poverty.

13. The microcredit summit organized in February 1997 in Washington D.C. by an NGO and sponsored by several private foundations brought together more than 2,900 people from 137 countries and launched a campaign to reach 100 million of the world's poorest families, especially the women of these families, with credit for self-employment and other financial and business services by the year 2005. According to the microcredit summit, an estimated US$ 21.6 billion is needed for this, almost 10 billion of which will have to be raised from the savings of the poor and from the commercial markets.

14. Worldwide, there are today about 7,000 MFIs specializing in making small loans to micro entrepreneurs. The success of microlending has resulted in an exponential growth in the demand for microcredit, and the need has arisen for MFIs to mobilize funds from sources other than stagnating official development funds and limited concessional credit. At the same time, the demand for new investment opportunities exists in the financial markets, particularly from socially responsible investors.

15. Although many MFIs are still dependent on donations, an increasing number are turning to the private sector to mobilize funds under market conditions. The problem is that these institutions operate outside the formal banking sector and often cannot meet the standard criteria expected by formal financial markets.

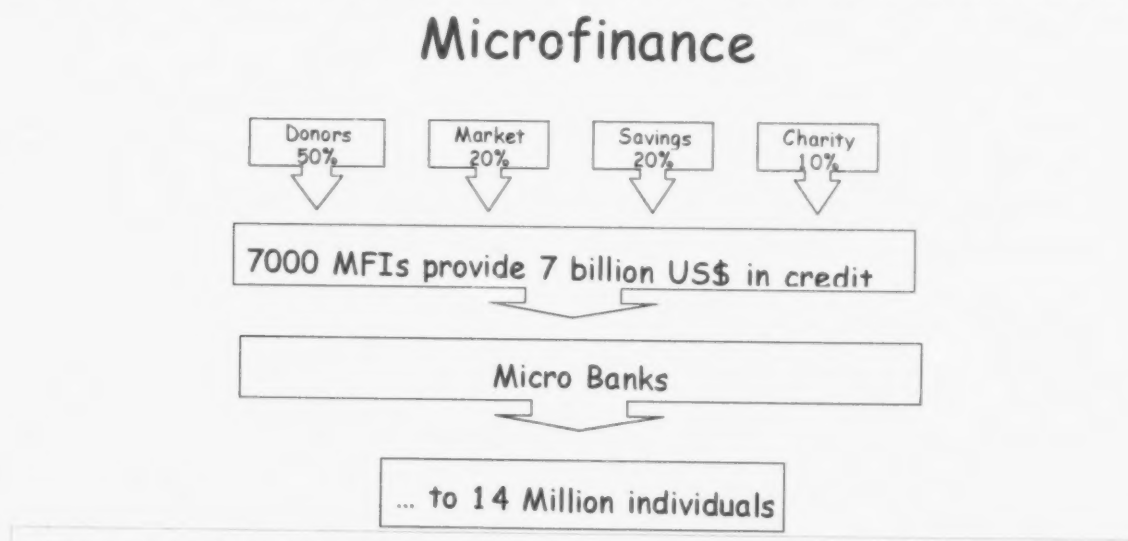
Microfinance
Donors 50%
Market 20%
Savings 20%
Charity 10%
7000 MFIs provide 7 billion US$ in credit
Micro Banks
... to 14 Million individuals
"There are nearly US$ 12 trillion pool of capital now available in the burgeoning funds and pension assets in the North."
Marshall Carter - Money Matters Institute

Figure 1

And yet MFIs have traditionally experienced high repayment rates (95 to 98 percent) and they work in a high-growth sector. Many are increasingly aiming at financial sustainability through economies of scale and charging interest rates and fees that cover the real cost of credit delivery.

16. Most MFIs, once they have established a good track record and documented their ability to recover loans, should be able to raise money in the financial markets to finance their expansion. Those MFIs which have raised funds this way have found it less cumbersome and restrictive than soliciting donations. Moreover, loans make MFIs more independent and open the door to a much larger pool of money.

17. By improving access by MFIs to international markets, assisting them in meeting the necessary criteria to mobilize such funds and at the same time providing an alternative paradigm to international investors, one can channel funds, in a sustainable manner, from the private sector in the developed world to the private sector in the developing world.

2. Action

"... *the engine of development now, without doubt, is private capital.*"
Kofi Annan

18. The strategy of UNCTAD's action plan in this area is based on a "bottom up" approach to development rather than the traditional "trickle down". Instead of having "master plans" and going through Governments and institutions, it is designed to provide directly, at the grass-roots level, financial services and opportunities for the poor who are excluded from becoming active participants in the economy.

19. The strategy has been guided by a number of principles, according to which it should:

(a) Focus on the elaboration of concrete solutions;

(b) Recognize and build on best practices and examples;

(c) Work in partnership with the civil society, including grass-roots organizations, the private sector, local businesses and also with national Governments;

(d) Act as a catalyst; and

(e) Promote the use of market mechanisms.

20. The programme's main objective is to **facilitate investment in microfinance by private investors. This is seen as indispensable for the long-term sustainability of the microcredit market and in reaching the millions living in poverty.**

21. The UNCTAD-initiated private BIL fund, investing in microfinance, has demonstrated to the international financial markets that the poor are bankable. It is expected that other similar investment funds will be established, which should increase the amount, and consequently decrease the costs, of funds available for lending to the poor. The success of these funds would demonstrate to private investors, particularly socially responsible investors, not only the investment potential but also the social impact of emerging markets for financial services to the poor.

22. One of the most crucial elements needed to pave the way for private funds to reach the unexploited but growing and promising market of microlending is information, particularly information which will enable investors and fund managers to evaluate risks when making investment decisions. There are currently no established standards and benchmarks allowing risk assessment of investments

in microfinance institutions. The focus of the secretariat's work has been on bridging this information gap, creating awareness, and promoting the market.

23. The work undertaken has been organized and pursued along the lines indicated below:

(a) Identification of investment recipients

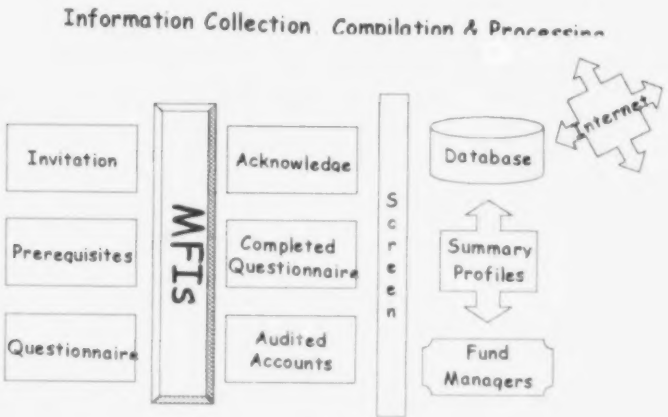

Figure 2

24. In cooperation with other international organisations, development banks, donor agencies, local governments, NGOs and private investment companies, the UNCTAD secretariat has undertaken a census of microbanks worldwide with the aim of identifying potential recipients of private investment funds, as well as appropriate investment instruments. This involves:

(i) Identification, collection and compilation of information on MFIs;

(ii) Preliminary screening of interested MFIs and preparation of summary information;

(iii) Creation of a microfinance database including the following elements:

- Inventory of microbanks looking for private funds;
- Information regarding interested international investors and funds;
- Survey by country of the legal and fiscal environment specifically related to investment in microfinance;

(iv) Development of an Internet microbanking site where all the above information could be accessed;

(v) Identification of a feasible debt financing instrument and securitisation; and

(vi) Dissemination of best practices in lending policy and default control by microlending institutions.

(b) Financial research

25. The information gathered from microbanks interested in raising private funds will be used to identify industry standards and benchmarks facilitating the evaluation of these institutions by potential lenders or investors. Proposals will then be drawn up for the use of local or international guarantee schemes.

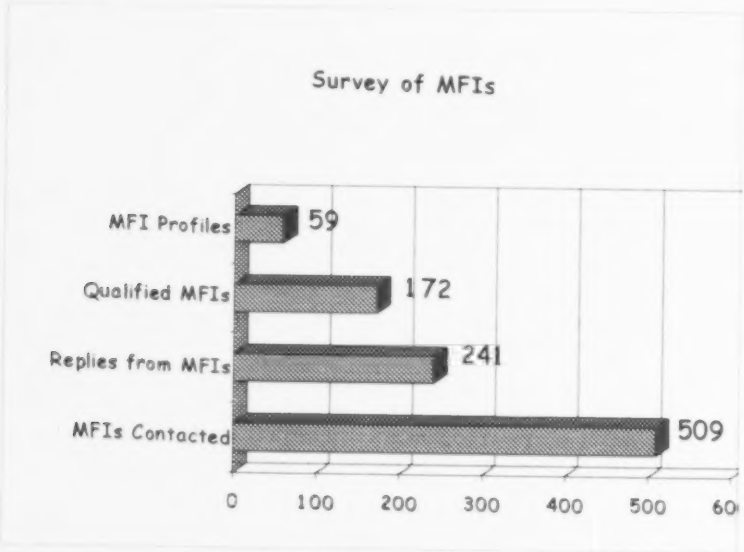

Figure 3

26. The progress made to date is as follows:

- A methodology has been established for the identification of interested MFIs;
- Questionnaires have been designed and developed for information collection from MFIs;
- A preliminary selection criterion has been established;
- In collaboration with BIL and its fund manager a summary report sheet has been developed to reflect the institutional and financial credibility of MFIs and to be used for comparison purposes;
- A database has been developed containing information from 600 MFIs in 15 countries;
- For 60 MFIs, the information has been analyzed and summary reports prepared;
- 50 MFIs have been visited and the most appropriate means of channelling investment to their institutions, i.e. bonds, asset-backed securities, potential guarantors or insurance companies underwriting debt documents, etc., have been discussed;
- A preliminary survey of the legal and fiscal environment in 15 countries has been completed.

3. Expected outcome and development impact

27. It is expected that, through this initiative, a direct link will be established between private investors and microfinance institutions in developing countries, consequently giving birth to a promising market that will

37. Introduced to UNCTAD's membership in the course of 1991, the Trade Efficiency Programme received the official endorsement of UNCTAD VIII (Cartagena de Indias, Colombia, March 1992) and was further reinforced by the conclusions of the United Nations Symposium on Trade Efficiency (Columbus, Ohio, October 1994) and of UNCTAD IX (Midrand, South Africa, May 1996). Because of the rapid expansion and growing visibility of the Trade Point programme, the overall strategy followed by UNCTAD in the area of trade efficiency has tended to be overshadowed by its technical assistance component. This section is an attempt to summarize this strategy and outline the priorities of the Trade Efficiency programme for the next few years.

Analytical bases

38. Modern trade theory has rapidly moved from a "static" to a "dynamic" conception of comparative advantages. The advent of a new wave of converging technological innovations (especially in the area of telecommunications and information technologies) has heralded a true industrial revolution. The specificity of that revolution is that, contrary to the previous two - which were based on innovative ways to deal with matter and energy - it is affecting time and space.

39. This has important consequences for trade and development. In particular, it offers unprecedented possibilities to revisit the concept of an international division of labour based on the theory of comparative advantages. The so-called 'modern formulation' of this theory (HOS) relies on a set of hypotheses such as the uniformity of information among players and the negligible cost of transactions and transport, which have never been closer to being fulfilled than now. Among the main consequences of this revolution for trade and development, the following have been at the core of UNCTAD's trade efficiency initiative:

- Transaction costs in international trade can be substantially diminished by an adequate use of information technologies;

- Such a diminution would benefit the smaller players such as developing countries, and especially their small and medium-sized enterprises;

- To bear fruit, efforts should be addressed not only at the trade transaction itself, but to all trade-supporting services sectors (e.g. customs, transport, banking and insurance, trade facilitation, business information and telecommunications).

Policy dimension

40. As the analytical work on trade efficiency developed, it became clear that it would have significant consequences at the policy level. It became evident that the trade efficiency strategies would have a positive impact on at least three policy-related areas:

- The empowerment of smaller players (especially SMEs) would encourage Governments to grant higher priority to the enterprise sector in the design and implementation of their trade policies; this could have a significant impact on diversification strategies, as well as on regional integration efforts;

- Greater awareness of the vital importance of trade-supporting services, and in particular of telecommunications as an "infrastructure for competitiveness", would enhance the interest in both the private and the public sector in keeping abreast of developments in the area of information technologies, as well as their efforts to avoid marginalization from the emerging "global networked economy";

A clearer identification of the potential impact of better business practices in the area of international trade, as well as of the ways in which information technologies could contribute to the adoption of such practices, would influence the attitude of many developing countries vis-à-vis "new areas for" multilateral trade negotiations by enhancing their ability to participate actively and positively in such a process.

Practical components and specificity of UNCTAD's work in the area of trade efficiency

41. Through the servicing of UNCTAD's Commission on Enterprise, Business Facilitation and Development and its relevant Expert Meetings, the Division on Services Infrastructure for Development and Trade Efficiency (SITE) is offering member States the possibility of receiving updated information related to trade efficiency and of exchanging experiences. In the field, it assists Governments and enterprises in enhancing the efficiency of their trade-supporting sectors and hence that of their trade sector. This is mainly done through its technical assistance programme, including the Advanced Cargo Information System (ACIS) programme, the Automated System for Customs Data (ASYCUDA), and the Trade Point Programme, as well as training programmes such as TRAINMAR and TRAINFORTRADE.Moreover, the emphasis which has been put by UNCTAD on generating practical results for the trading sector of its member countries has provided its work in the area of trade efficiency with characteristics which have allowed it to work more closely with some non-traditional partners, especially in the private sector.

(b) A first practical illustration: the ASYCUDA Programme

Environmental analysis

42. The ASYCUDA initiative strives to simplify the use, harmonisation and standardisation of common global systems that deal not just with imports and exports but also with the movement of goods. It is based on the idea that information technologies can significantly enhance the role of customs both as a trade facilitator and as a revenue collector. Its mission is to allow member States to turn this opportunity into an economic reality.

43. The environment within which trade efficiency and ASYCUDA have to operate to fulfil this mission is complex. Customs administrations need to reform and modernise, generally from old, safe but outdated positions of security within government to commercially thinking, risk-based businesses, at times competing with the private sector and forging partnerships with many that they perceived, historically, as opponents. Corrupt practices born of individual and institutional vested interests and profit are threatened by ASYCUDA. Political priorities at times suffer from short-term constraints, not recognising the benefits of and the support needed for long-term sustainable customs reform, in respect of which ASYCUDA plays such a leading role. The pathfinding initiatives involved have to survive and succeed in bureaucratic environments not used to the business-like, dynamic, speedy and competitive demands of the modern commercial environment. ASYCUDA therefore needs to be continuously improved to better service the needs of importers and exporters through more efficient customs.

Components of the strategy

44. Anticipated impact. By equipping customs administrations with appropriate tools, ASYCUDA can be (1) a true instrument for customs reform, and (2) a valid tool for trade facilitation and trade efficiency. Measurable results should be found in the reduction of procedure-related delays (e.g. customs clearance), higher efficiency in such procedures (e.g. through selective physical inspection), reduction in graft and "parallel procedures", and broad adoption of internationally recognized norms and standards for trade-related procedures and documentation.

45. Definition and evolution of the product. Since its creation in the early 1980s, the ASYCUDA system has evolved towards a fully integrated open system for customs management and reform. Its unique software is constantly updated by using the most advanced programming and analysis techniques, and its ease of use makes it an instrument adaptable to economies of different sizes and levels of development. Since the inception of UNCTAD's Trade Efficiency Programme, it has become possible to link up ASYCUDA with other information management systems relevant to the international trade sector, including those of ACIS and the Trade Point Programme.

46. Positioning and marketing. As a fully open, highly flexible and integrated system for customs reform and management, ASYCUDA currently fares well vis-à-vis the competition. Its successful beginning in small African economies, however, has in the past created the image of "a system for small economies"; the recent implementation of ASYCUDA in medium-size economies such as Romania or the Philippines has helped to correct this, and the product is now better positioned. It has also been necessary to differentiate ASYCUDA from a mere "software product" and market it as a "reform and management package"; efforts will need to be pursued in that direction; enhanced synergies with the Trade Efficiency and Trade Point programmes will contribute to achieving this goal.

47. Project management and business plan. The Geneva-based ASYCUDA staff has to spend a considerable amount of its time on field missions. The improvement of mission briefings and debriefings therefore requires particular attention. They should be based on a strategic picture and priority should be granted to: (1) developing sound support services; (2) reviewing regional support centres and their relationship with Geneva; and (3) transferring knowledge from the centre to users and regional support centres, within clearly defined policy guidelines. From a financing point of view, due attention should be given to the following: (1) in the light of work carried out so far on alternative methods of finance, research new and innovative proposals for funding the ASYCUDA Programme acceptable to the United Nations, donors and users; (2) considering, in particular, partnerships with the private sector, recycling increases in customs revenue due to ASYCUDA, and securing long-term UN or donor funding; and (3) giving due attention to possibilities such as subcontracting out some services, identifying true costs, and establishing a realistic charging policy, including charging for software, and for central and regional support services.

Priorities for action (tactical mission)

48. Immediate priorities for the further development and sustainability of ASYCUDA are:

- To assist developing countries with trade by removing import and export bottlenecks and improving customs;
- To develop, produce, provide and maintain a high-quality ASYCUDA product that some countries could not otherwise afford, while keeping its current technological edge over commercial providers;
- To ensure sustainability of both the ASYCUDA initiative and the ASYCUDA programme after delivery;

(c) A second practical illustration: the Trade Point Programme

Environment analysis

49. In areas where technological innovations happen almost daily, analytical and conceptual references have shorter life expectancies, and in such areas, practice is often a major source of knowledge and foresight. In the early 1990s, when the Trade Efficiency programme was ready to be launched, many developing countries and economies in transition were faced with very uncertain prospects regarding the structures of their economies (e.g. in Eastern and Central Europe)

and their potential role in international trade (the conclusion of the Uruguay Round was still uncertain). It was therefore felt necessary, when trying to generate support for this new approach, to illustrate it as concretely as possible. Hence the idea of the "Trade Point".

50. A major obstacle in the implementation of the Trade Point Programme stems from contradictions between its founding vision and its basic mandate. In the vision, Trade Points were envisaged as autonomous entities (mainly in the private sector) which would survive only if they brought value-added to their customers and if they were able to recover their costs by charging for their services. Competition mechanisms would then naturally eliminate less performing Trade Points, and stimulate the quality and efficiency of the others. In the mandate received by UNCTAD, however, the involvement of Governments was introduced as a prerequisite, which made it more difficult to establish Trade Points in a fully enterprise-oriented type of context. In some cases, local private players have been able to identify the potential of Trade Points and to develop competing services. In others, the vested interests of pre-existing organizations (public or private) have hindered the development of Trade Points. It must be mentioned, however, that even when Trade Points have not been prevented from operating in the private sector, they sometimes had to face an unfriendly environment: since one of the most immediate practical impacts of Trade Points is to diminish the importance of intermediaries by bringing local enterprises a step closer to their markets and their customers and suppliers, Trade Points sometimes had to face direct or indirect opposition from such intermediaries; this opposition should not be expected to diminish in the future.

Components of the strategy

51. Anticipated impact. Trade Points have a practical set of objectives: they should: (1) allow the enhancement of local awareness (in government and in the business community) of the potential for trade efficiency and international competitiveness of better business practices and adequate use of information technologies; (2) contribute to the lowering of transaction costs for local importers and exporters, in particular by offering a "single window" for trade procedures and low-cost tools for participating in information-intensive sectors of international trade such as electronic commerce; and (3) promote the adoption of internationally recognized norms and standards for trade transactions and trade-related documentation.

52. As the number of Trade Points continued to grow steadily over the years,[1] it became clear that they could be the basis for a global network of advanced players in the area of trade information and electronic commerce. This is why, on the occasion of the United Nations International Symposium on Trade Efficiency (UNISTE, Columbus, October 1994), it was decided to move on to the second stage of the Trade Point programme by launching the Global Trade Point Network (GTPNet), which rapidly emerged as the largest global network for pre-transactional trade information. The next step in UNCTAD's Trade Point strategy then became to move from this pre-transactional role of Trade Points to a fully transactional role, which would turn the Trade Point network into the first global instrument for electronic commerce. This was done at the trade efficiency symposium held in parallel with UNCTAD IX (Midrand, May 1996), when the third stage of the programme ("From contacts to contracts") was launched. Efforts to allow Trade Points to use secure ETOs (Electronic Trading Opportunities) and secure payments (SEAL project) are being actively pursued at a limited number of pilot sites and should soon be extended to a larger number of Trade Points.

53. Positioning and marketing. Participation in the Global Trade Point Network must be seen as an opportunity (especially for smaller players such as developing countries and small and medium-sized enterprises) to participate in the more dynamic sectors of international trade, in particular electronic commerce. Defined as such, the "Trade Point" product is clearly differentiated

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[1] Today, there are 131 Trade Points at various stages of development in 106 countries, of which 20 are LDCs.

from trade information systems.

54. Project management and business plan. The main objective of the Trade Point programme continues to be to produce practical results at the local level, i.e. to provide local enterprises (especially small and medium-sized enterprises) with flexible, low-cost tools to compete on international markets. Considering the rapid increase in the number and geographical dissemination of Trade Points, the programme will need to pursue its trend towards decentralization and greater reliance on local partners such as regional fora. This decentralization will be reflected at the technical level, since the Global Trade Point Network will rely more and more on local "mirror sites", which will help diminish access costs. The financial sustainability of Trade Points will remain a longer-term objective in poorer regions and in the least developed countries, which should continue to benefit from external support to enhance their trade efficiency strategies, including through the establishment and management of Trade Points. In most other cases, financial sustainability can be obtained through the marketing and selling of value-added services to Trade Point customers. This will need to be encouraged through the adoption of a set of rules and guidelines to be recognized, supported and promoted by all Trade Points; the establishment of a Trade Point Federation (see below) would be of interest in that context. As far as the financial sustainability of the Trade Point programme is concerned, fund-raising efforts will need to be actively pursued to allow the Global Trade Point Network to become truly global and fully inter-operable, which will require special support for some regions with no or poor telecommunications infrastructure. Strategic alliances and partnerships with other related international efforts and organizations should be sought, as well as with the private sector.

Priorities for action ('tactical mission')

55. Objectives. The following objectives will constitute the basis of UNCTAD's trade point strategy in the next few years:

(i) Pursuance of efforts to use Trade Points to increase member countries' awareness of the nature and possible impact of the Columbus recommendations on trade efficiency; enhancement of UNCTAD's support to assist interested countries in implementing such recommendations with a view to diminishing international transaction costs and stimulating the trade competitiveness of small and medium-sized enterprises (SMEs);

(ii) Pursuance of the collaboration with the private sector, including through partnership and strategic alliances, in particular in the context of the Trade Point programme;

(iii) Pursuance of efforts to offer an integrated technical assistance package in the area of trade efficiency, through the Trade Point network; other programmes of UNCTAD's Division on Services Infrastructure and Trade Efficiency (SITE) such as TRAINFORTRADE, TRAINMAR, ASYCUDA and ACIS should contribute to such a package;

(iv) Enhancement of efforts to develop the Trade Point programme, including through increased inter-operability, legal protection of the name and logo, constitution of a proper institutional framework, and offering of additional practical tools for electronic commerce (e.g. in the area of electronic payments and secure Internet transactions).

56. Special areas of attention. Within its limited human and financial resources, UNCTAD will give special attention to the following objectives:

(i) Specific support for the Trade Points established or being established in the least developed countries (in particular in Africa); efforts to mobilize donors to this end will be granted priority;

(ii) Integration of a strong training component in Trade Point activities and projects;

(iii) Assistance for successful Trade Points in order to allow them to progressively become financially and institutionally independent;

(iv) In cooperation with the more advanced players in the field (including the private sector), provision of advanced tools for electronic payments and secure Internet-based transactions;

(v) Pursuance of efforts to lower the cost of accessing GTPNet, including through an increase in the number of mirror sites; and

(vi) Pursuance of efforts to inform Trade Points and their clients of the most recent developments in the areas of trade facilitation and electronic commerce, including in the regulatory and legal domains.

2. Legal dimensions of the Trade Point programme

(a) Common guidelines for Trade Points at the national level

57. In October 1993, the main principles and guidelines for the establishment of Trade Points were released by UNCTAD.[1] One fundamental principle of Trade Points is that their legal status and activities must respect the local legislative and regulatory environment. Considering the broad variety of such legislation and environments, the "model statutes" offered had to embody a high degree of flexibility. Trade Points can be public, semi-public or private. Most frequently asked questions include the following: what basic rules should be included in the statutes, what should be the legal status of a Trade Point, how should it be managed, how should it be financed, what are the responsibilities of parties involved, and in case of disputes which rules should operate and where should disputes be resolved? To address these important questions, it is now felt by most Trade Points that a more explicit set of guidelines for the establishment and operation of Trade Points at the national level should be produced, which would take into account the significantly broader range of activities and geographical distribution of Trade Points. The UNCTAD secretariat could produce the basic legal texts which would allow such guidelines to be produced. However, their adoption and implementation at the local level will require the recognition of an appropriate level of jurisdiction, which remains the responsibility of local players, including Governments.

(b) Legal requirements to organize Trade Points' institutional cooperation at the international level

58. Trade Points have reached a phase in which it has become a necessity to create an institutional framework for further cooperation at the international, regional and subregional levels. For example, in November 1996, the Inter-American Trade Point Forum was founded in cooperation with UNCTAD, covering Trade Points in North, Central and South America and the Caribbean. Its main objective is to strengthen the Trade Point network in the continent through regional cooperation and mutual assistance. The Forum will provide technical assistance and training to Trade Points. It will coordinate the exchange of information on trading opportunities as well as the facilities offered by international, regional and national institutions in the fields of trade financing, trade promotion, training and technical cooperation.

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[1] 'The Trade Point: Concept and Implementation', TD/B/WG.2/7/Add.1, 7 October 1993.

59. A Western African regional forum was established on the occasion of a regional Trade Point meeting in Dakar, Senegal (7-8 July 1997). As discussed at the Second Meeting of Eastern and Southern African Trade Points, held in Harare, Zimbabwe, on 14-15 July 1997, a similar forum is to be set up in the Eastern and Southern African region. An Interim Committee was appointed to coordinate the creation of the forum. Similar Trade Point Fora providing a permanent structure for cooperation and discussion are expected to be established in other regions in the near future.

60. With the rapid increase in the number of Trade Points worldwide and the technical developments in this field, the absence of an international federation and regional fora representing Trade Points is strongly felt. As more and more regional and subregional fora of Trade Points are formed, UNCTAD is being called upon to ensure harmonization and provide legal assistance in designing the statutes of these fora.

61. At its eighth executive session, in June 1995, the Trade and Development Board was requested that statutes be drafted by UNCTAD regarding the establishment of an International Federation of Trade Points. The secretariat has informally provided the Trade Points with a first draft of the Statutes, which will serve as a basis for further discussions.

62. The Federation, as proposed by UNCTAD, would be a non-governmental and a non-profit-making organization. The objectives of such a Federation would be to promote cooperation and coordination among Trade Points, which would facilitate the international exchange of goods and services among all countries and more specifically encourage a wider participation in world trade by developing countries and countries in transition. The Federation would promote the development of Trade Points throughout the world; coordinate activities and represent the Trade Points at the international level; adopt common policies and recommendations for Trade Points; provide technical assistance; establish and maintain a list of Trade Points that are members of the Federation and are associated with the Global Trade Point Network; and cooperate with Governments and other international organizations. The Federation should have a General Assembly and a Council and should have regional conferences as appropriate. It would operate in close cooperation with UNCTAD.

(c) Legal protection of the "Trade Point", "Global Trade Point Network (GTPNet)", and "Electronic Trading Opportunities (ETO)" names and logos

63. Trade Points have to conform to UNCTAD's rules and guidelines[4] and have to abide by the international standards produced and/or promoted by the United Nations. With the success of the Trade Point concept, third parties may want to set up offices using the same name but not respecting the set of rules established for Trade Points. The fear that this will happen is growing, and it is in that context in particular that the protection of the "Trade Point", "Global Trade Point Network (GTPNet)", and "Electronic Trading Opportunities (ETO)" names and logos has become even more relevant. The absence of an International Federation, referred to earlier, makes it more difficult to find appropriate protection at the international level. The UNCTAD secretariat has consulted experts at the World Intellectual Property Organization (WIPO) about ways to protect these expressions and logos. The secretariat was advised that it is not possible to protect the expressions and the logos under the Paris Convention for the Protection of Intellectual Property. However, it is possible for each Trade Point to register the expressions and the logos as service marks or trade names in accordance with national legislation of the country where the Trade Point is established. International coordination by the UNCTAD secretariat of action in this regard, at the national level, should provide a fair measure of protection of the expressions and the logos against unauthorized use by parties that are not associated with the Trade Point programme.

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[4] As specified in document TD/B/WG.2/7/Add.1 of October 1993.

3. Inter-institutional cooperation in the trade efficiency area

(a) Cooperation with the United Nations Economic Commission for Europe (UN/ECE) and the International Trade Centre (ITC UNCTAD/WTO)

64. UN/ECE has a longstanding record in the preparation of trade facilitation standards and automation of trade transaction procedures. ITC provides highly appreciated technical assistance to member countries in the field of business information and export promotion. Through its Trade Point programme, UNCTAD can contribute to disseminating and promoting such work. With a view to taking the fullest advantage of their respective comparative strengths for the achievement of common objectives, all three agencies work closely together, both formally and informally.[1] An official framework for their cooperation is provided by the inter-institutional task force comprising representatives of UN/ECE, ITC and UNCTAD who meet regularly every other month in order to exchange information about their ongoing and planned activities and to identify the potential for joint action.

65. It has become a common practice for experts from sister organizations to be invited to attend and to make presentations at each other's meetings, which enables them to make their work known to a broader audience, not necessarily identical with that at their own events. Whenever a trade-efficiency-related mission comes to Geneva to visit one of the agencies, or whenever a course is held on the issue, the agency in charge resorts to the others' expertise and organizes meetings or courses with the participation of all three of them. In addition, given the budgetary constraints, the work of the other agencies is publicized during most trade-efficiency-related missions. The awareness among Trade Points of this close inter-agency cooperation has also considerably increased, as testified by invitations to Trade Point events addressed jointly to ITC and UNCTAD, as was, for instance, the case of the First Meeting of the MERCOSUR Trade Points (Córdoba, Argentina, March 1997), which was attended by representatives of both agencies.

66. Since provision of business information is one of the first priorities for Trade Points at earlier stages of their development, it is understandable that fruitful and intensive cooperation has developed between UNCTAD and ITC in this area. The synergy of their activities is further strengthened by the fact that they often work with the same counterparts in member countries. This is the case particularly in Central and Eastern Europe, where many countries are in the process of setting up their trade promotion organizations, which constitute a traditional domain of ITC's technical assistance and which, at the same time, frequently become hosts for Trade Points. For example, a comprehensive joint project of this kind, funded by the Government of Switzerland, is being conducted by ITC and UNCTAD (Trade Point, TRAINFORTRADE) with the Romanian Foreign Trade Centre, and similar interaction exists also in Lithuania and Latvia. In turn, ITC is attempting to involve the existing Trade Points in the preparation and implementation of its business information activities. For example, workshops have already been organized and a project document is currently being finalized with the participation of UNCTAD and Trade Points in the countries concerned on the establishment of an Intra-CIS/Baltic States Trade Information Network (ICTIN). Another area of cooperation between the Trade Point programme and ITC is training. A two-day seminar on trade information management was delivered by ITC at the annual meeting of the Inter-American Trade Point Forum (Mexico City, September 1997). A request for similar training was made by the second regional Trade Point meeting of Southern and Eastern African countries (Harare, July 1997); it is expected to be organized in 1998.

67. Consistent efforts are being made by ITC and UNCTAD to promote the use of UN EDIFACT standards and recommendations for trade facilitation. The UN layout key and the programme of work on combined transport, as well as the use of UN/ECE standards by UNCTAD's ASYCUDA and ACIS programmes, are examples of such

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[1] For further details, see "Trade Facilitation and Efficiency: A Coordinated Programme of the United Nations", UN/ECE-UNCTAD-ITC, April 1996.

cooperation. In the same vein, UN EDIFACT-compatible messages served as a basis for the ITC COMREG standard for company information, as well as for UNCTAD's business opportunities (ETOs) circulated in the Global Trade Point Network. COMREG software was distributed to a sample of Trade Points for testing and subsequent use, and work is now under way to make ETOs and COMREG structures fully compatible. The effective use of UN/ECE "products" is bound to increase further in the future, along with a more massive involvement of Trade Points in trade facilitation activities and electronic data interchange that are technically more demanding and usually start to be implemented at a later stage of Trade Points' development.

(b) Cooperation with other organizations

68. In each of the main sectors covered by UNCTAD's Trade Efficiency Programme, strong cooperation has been established with relevant institutions. Examples include the World Customs Organization (WCO), the International Maritime Organization (IMO), the International Federation of Freight Forwarders Associations (FIATA), the Society for Worldwide Interbank Financial Transactions (SWIFT), the African Insurance Organization (AIO), the International Insurance Supervisors Association (IISA), or the Internet Society (ISOC). Particular mention must be made of the fast-expanding cooperation established between UNCTAD and the International Telecommunications Union (ITU), which allowed in particular the combined organization of UNCTAD's Expert Meeting on Telecommunications, Business Facilitation and Trade Efficiency (8-10 September 1997) and ITU's 'Telecom Interactive' meeting (8-14 September 1997). The recommendations of the experts outlined avenues for the pursuance and strengthening of such cooperation.

69. Inter-institutional cooperation has also been significant with regional institutions, including UN regional economic and social commissions and regional development banks. It has also been important with institutions with cross-sectoral competencies, such as the Organization for Economic Cooperation and Development (OECD), the World Bank (in particular its MIGA and InfoDev programmes), the International Monetary Fund, the International Chamber of Commerce, the Association of G.77 Chambers of Commerce and the World Trade Centers Association (WTCA).

70. Inter-institutional cooperation with the World Trade Organization (WTO) is expected to grow significantly as issues related to trade facilitation and electronic commerce start being discussed in that context. Moreover, as the work on the legal dimensions of trade efficiency (see above) gathers momentum, further cooperation will increase with organizations such as the United Nations Commission on International Trade Law (UNCITRAL), the World Intellectual Property Organization (WIPO) and the International Organization for Stadardization(ISO).

4. Trade Efficiency Assessment

71. As mentioned in the introduction to the present document, the theme of a trade efficiency assessment methodology is addressed in document TD/B/COM.3/10/Add.1.